

The Highway Needs and Finance Subcommittee met in Yankton on July 1, 2014, from 11:00 a.m. to 1:00 p.m. at the Regional Technical Education Center.
(Attendance was estimated at 65.)

The meeting was hosted by the following committee members: Senator Vehle, Chair; Senator Hunhoff; and Representative Anderson.

Senator Vehle presented an overview of the scope of the Highway Needs and Finance Committee and reviewed the tables and charts in a PowerPoint presentation (document 1) with the audience. The presentation provided a description of the basic state and local highway, road, and bridge infrastructure; federal, state, and local financing revenues; efficiency measures for the SD DOT; construction and maintenance costs; current and projected road and bridge conditions; and the importance of maintaining the transportation infrastructure.

Public Testimony:

John Glaggett – Davison County Commission: Funding for bridges is one of the county's biggest issues and we need to focus on finding dollars for bridge replacement and repair. He suggested splitting highway and bridge funding, looking at the sales tax as a potential revenue stream, and allowing the wheel tax to be applied to each wheel.

Raymond Roggow – Union County Highway Department: Union County's top priority is maintaining its roads; however, bridges are a different story. The county has no funding mechanism for this issue. The county has implemented the wheel tax and a property tax opt-out, which has helped sustain the maintenance of its roads. He suggested looking to the sales tax as another revenue source for transportation.

Mic Kruetzfeldt – McCook County Highway Department: The county is working on converting 30 miles of paved road back to gravel. The community is discussing ways to pay for the maintenance of the paved road and is looking at a potential public-private partnership. Bridges are a big issue for the county. The county tries to help the townships when it can and 25 percent of the county's wheel tax is directed to the townships.

Joel Mayer – Douglas County Highway Superintendent: The public is more willing to pay higher fees if they know the funds will only be spent on roads. When counties use STIP funds, they must meet certain requirements and standards. The counties can do construction much cheaper if they don't have to meet these requirements and still have the same quality of road. He would like to see something similar to HB 1230 from the 2014 Legislative Session to allow counties to levy the highway and bridge tax without requiring the funds to be used for matching federal aid grants. He suggested exploring a bushel tax for grain wagons and the sales tax as additional revenue sources.

Leo Powell – Clay County Commission: Increasing construction costs and flooding from the Vermillion River are two of the biggest issues for the county. The county uses every dollar from licensing fees for transportation. They have had to close 7 bridges over the past 10 years. A wheel tax has been voted down twice in the county. He suggested increasing licensing fees and increasing the wheel tax.

Ewald Fink – Douglas County Commission: Douglas county has implemented the wheel tax but has over 500 vehicles with more than four wheels. He suggested allowing counties to tax every wheel and giving counties the authority to chart their own course for roads by supporting a version of HB 1230 from the 2014 Legislative Session.

Mike Healy – Yankton Area Chamber of Commerce: We need to focus on investing for the future, rather than the cost for today. The resolution must be safe, efficient, and effective. He suggested looking to the gas tax, which has not been increased in 15 years. He also noted the vehicle excise tax, which is much lower than our surrounding states.

Chris Heinz – Coffee Cup Fuel Stops and Convenience Stores Inc: The Coffee Cup in Hot Springs saw 15 percent gains which he contributed to the gas tax increase in Wyoming. Increasing the state gas tax would put South Dakota at a disadvantage competitively and the state would not see as much revenue as it anticipates. He suggested supporting a federal gas tax increase, which would bring in more funding for South Dakota. He also preferred a wheel tax increase over a motor fuel tax increase.

Frank Kloucek – Self – Scotland: We need to cooperate and find a solution together. He suggested taxing the user, toll roads, and a technology fee as additional sources of revenue.

Brian Gustad – Yankton County Highway Superintendent: They are seeing many overloaded trucks in the county but the fees go to the school districts. He suggested directing the fees to transportation instead and effectively enforcing weight restrictions.

Terry Johnson – City of Mitchell: Increasing utility and construction costs have caused two STIP projects to be delayed. He highlighted the importance of STIP funding to the city.

David Scott – SD Association of Towns and Townships: A fuel tax increase will not help the townships. He suggested removing the sales tax exempt status of certain agriculture inputs and taxing dyed fuels. He also expressed concern about the damage overweight trucks are causing and that a limited number of counties have weigh stations where overweight fees are assessed.

John Claggett – Davison County Commission: He wanted to ensure the committee that the county is putting all licensing fees towards transportation.

Jeff May – Kolberg – Pioneer Inc: A long-term funding solution is necessary to provide certainty and help businesses grow. He suggested adjusting the state motor fuel tax for inflation.

Ken Swedeen – Dakota Asphalt Pavement Association: He stated that fuel efficiency has improved over the years and supported indexing the motor fuel tax.

The Highway Needs and Finance Subcommittee met in Sioux Falls on July 1, 2014, from 4:00 p.m. to 6:00 p.m., at the Southeast Technical Institute.
(Attendance was estimated at 90.)

The meeting was hosted by the following committee members: Senator Vehle, Chair; Senator Omdahl; Senator Tidemann; Senator White; Representative Duvall, Vice Chair; Representative Anderson; and Representative Parsley.

Senator Vehle presented an overview of the scope of the Highway Needs and Finance Committee and reviewed the tables and charts in a PowerPoint presentation (document #1) with the audience. The presentation provided a description of the basic state and local highway, road, and bridge infrastructure; federal, state, and local financing revenues; efficiency measures for the SD DOT; construction and maintenance costs; current and projected road and bridge conditions; and the importance of maintaining the transportation infrastructure.

Public Testimony:

Linda Marcus – Beadle County Commissioner: The county has proposed a wheel tax three times. Each time it was referred, the proposal was defeated. The funds provided to the county through the STIP program are limited and the compliance requirements lower the effectiveness of these funds.

Dick Kelly – Minnehaha County Commissioner: The bottom line is that you need enough resources to meet the highway, road, and bridge needs. Minnehaha County would like the flexibility to use wheel tax funds to cover patrolling expenses for the county.

Doyle Karpen – Union County Commissioner and commercial trucker: Union County has the full amount for the wheel tax and has passed a property tax opt-out, however, the county requests more tools in the tool box to meet all the highway, road, and bridge needs. The increase in registration fees has been beneficial, but more financial resources are needed. Union County expends about one-third of its budget for highways, roads, and bridges.

Jim Soukup – Soukup Construction: The funding mechanisms currently used by the state and local governments are fine, but more money is required for highways. He would prefer to pay more taxes and fees for good to excellent roads, and less money for tires, alignments, and damages to trucks resulting from poor to failing roads.

Cindy Heiberger – Minnehaha County Commissioner: Minnehaha County operates its highway program with funds from the wheel tax and registration fees. Recommended that registration fees be increased as South Dakota has some of the lowest fees in the nation; increase the wheel tax and make it mandatory; and give the counties the flexibility to move money from one program fund to another and let them manage the county funds to meet their needs.

David Gillespie – Lincoln County Commissioner: Bridges are programmed 20 years out before being fixed. He suggested looking at motor vehicle registration fees.

Jim Schmidt – Lincoln County Commissioner: Don't penalize all counties, because some counties don't have a wheel tax. With recent damages caused by floods, Lincoln needs more resources. One alternative to raise additional revenue that keeps pace with inflation would be to impose a sales tax on motor fuel.

Don Larson – Brookings County Commissioner: He stated that the problem with highway funding is not unique to South Dakota; it is a national issue for all state and local governments. Brookings County shares its wheel tax revenue with the other local governments. We are all partners in this issue and need to work together. More flexibility with local budgets would be beneficial as resources could be used the best way possible each fiscal year. He believes there is an infrastructure crisis in the nation.

Dick Birk – Brookings County Highway Superintendent: Brookings County maintains 220 bridges and 394 miles of county roads, with 261 miles being hard-surfaced roads. A different approach for addressing culverts is needed.

Gayleen Riedemann – Sioux Falls Chamber, Transportation Committee: She commented that it is time for the Legislature to have the resolve to increase various user fees and taxes. The infrastructure system wasn't designed to support the growing size of equipment.

Ray Woodsend – Dougherty & Company: He stated that every county, municipality, and township needs money as the stimulus program did not address their needs. Counties do not have sufficient bonding authority to address the needs. Consideration should be given to removing certain voter approval prior to issuing bonds, as the decision to issue bonds is subject to the referendum process.

Bill Smith – McCook County Commissioner: Counties with a smaller budget and population tend to spend a larger percentage of their budget on roads. McCook County typically spends 50% of its budget for roads. The county is considering grinding up more oil roads and returning such roads to gravel. Changing demographics, demand, and use are having an influence how the county addresses road and bridge needs.

Myron Rau – SD Trucking Association and SD Auto Dealers Association: He stated that the decision on whether to provide more resources for highways, roads, and bridges has been going on for an extended period of time and it is time to act. Every user and resource should be included in any proposed legislation providing more financial resources to address the needs including: mandate the wheel tax, increase the fuel tax, impose a tax on dyed diesel fuel, increase the excise tax on motor vehicles, and enact other funding alternatives. However, do not use toll roads as a funding mechanism as toll roads cost too much to administer, it changes traffic patterns, and the volume of traffic in South Dakota is not sufficient. Also, do not consider fees based on weight and distance as that program also costs too much to administer.

DJ Buthe – Minnehaha County Highway Superintendent: He emphasized the importance of highway funding. He stressed that is important to maintain roads early in the life cycle and keep at it, thereby extending the life of the roads. Minnehaha County has several roads in need of reconstruction and is estimated that the county has a \$4 million annual funding gap. He suggested that the fees and taxes for roads be indexed.

Cindy Foster – SD Association of Towns and Townships, Fulton: Her township has adopted a permanent annual property tax opt-out of \$2,000 and recently adopted an opt-out of \$50,000 per year for a period of five years. Fifteen of the sixteen townships located in Miner County have adopted opt-outs. The county does not share its revenue from the wheel tax with the townships. The cost of gravel is expensive as the gravel has to be trucked in from Lake County.

Loren Pankratz – Self, Sioux Falls: He provided an example of his personal expenses for motor vehicle registration fees and taxes paid for motor fuel. He said that the fees were modest, especially in comparison to fees in the surrounding states.

Al Kurtenbach – Self, Brookings: He recommended an increase in the user fees and suggested that we refer to taxes associated with motor vehicles and highways as user fees. He stated that townships need more financial resources to address their needs.

Mark Blow – Harrisburg: He reminded the Highway Needs and Financing Subgroup that a percentage of the taxes and fees collected by state are attributed to the tourism industry and that fact should be marketed better if the taxes and fees for highways are proposed to be revised.